

REBUTTAL TESTIMONY

OF

JIMMY E. ADDISON

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2017-370-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Jimmy E. Addison and my business address is 220 Operation Way, Cayce, South Carolina. I am the Chief Executive Officer (CEO) of SCANA Corporation (SCANA) and each of its subsidiaries including South Carolina Electric & Gas Company (SCE&G or the Company).

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I have.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to the suggestion made by ORS's witness Mr. James that the prudency definition contained in Act 258 can properly be applied retroactively to govern contracts, commercial arrangements, and other actions that were undertaken years before its adoption. Specifically, as I understand it, Act 258 seeks to make

1 the owners of Base Load Review Act (BLRA) projects liable for imprudent
2 actions of contractors, subcontractors, and consultants even if those
3 contractors, subcontractors, and consultants are operating under contracts
4 which allocate decision-making authority to them. Act 258 also places the
5 burden on the owner to justify the prudence of specific items of cost
6 incurred by its contractors, subcontractors, and consultants.

7 **Q. WOULD IT HAVE BEEN POSSIBLE TO FINANCE THE NND**
8 **PROJECT IF THE PRUDENCY TERMS CONTAINED IN ACT 258**
9 **HAD BEEN IN FORCE IN 2008?**

10 A. It would have been incredibly difficult, if not impossible, to
11 successfully finance the NND Project on commercially reasonable terms if
12 Act 258 had been in force beginning in 2008. As I previously testified, the
13 BLRA as enacted offered investors critically important protections against
14 retroactive prudence reviews and disallowances. Beginning in 2009, I
15 believe that lenders and equity investors made lending and investment
16 decisions in specific reliance on the protections provided under the terms of
17 the BLRA as enacted. It follows that lenders and equity investors would not
18 have made capital available for the NND Project absent those protections.
19 The terms of Act 258 turn those protections on their head. It would not
20 have been possible for SCE&G to finance the NND Project on
21 commercially reasonable terms had the terms of Act 258 been included in
22 the BLRA as enacted.

1 As lenders and investors made decisions on the basis of the
2 protections granted by the BLRA as enacted, it is profoundly improper to
3 alter the regulatory structure and risks after any lending or investment
4 decision has been made by applying Act 258 retroactively.

5 **Q. IF THOSE STANDARDS HAD APPLIED IN 2008, WOULD SCE&G**
6 **HAVE ENTERED INTO THE ENGINEERING PROCUREMENT**
7 **AND CONSTRUCTION (EPC) CONTRACT WITH**
8 **WESTINGHOUSE AND ITS CONSORTIUM PARTNER TO**
9 **CONSTRUCT THE NND PROJECT?**

10 A. Based on my decades of experience in financial roles within
11 SCE&G, I do not believe SCE&G would have entered into an EPC contract
12 pursuant to which decision-making is delegated to a contractor, but under a
13 regulatory framework in which SCE&G retained the burden of
14 demonstrating after-the-fact the prudence of any actions by that contractor
15 or its subcontractors, including prudence with respect to specific costs
16 incurred. SCE&G would not have entered into an EPC contract with such
17 uncertainty and financial risk if those standards had applied in 2008.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes, it does.